

**LEGISLATIVE SERVICES AGENCY  
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**FISCAL IMPACT STATEMENT**

**LS 6854**

**BILL NUMBER:** HB 1491

**NOTE PREPARED:** Jan 11, 2015

**BILL AMENDED:**

**SUBJECT:** County Adjusted Gross Income Tax.

**FIRST AUTHOR:** Rep. Harman

**FIRST SPONSOR:**

**BILL STATUS:** As Introduced

**FUNDS AFFECTED:** X GENERAL  
X DEDICATED  
FEDERAL

**IMPACT:** State & Local

**Summary of Legislation:** This bill provides that, when construction of jail facilities are complete and bonds and leases are fully paid, the County Adjusted Gross Income Tax (CAGIT) rate in Marshall County shall be established at a rate such that the revenue from the tax does not exceed the costs of operating and maintaining the jail facilities.

It provides that the Department of State Revenue (DOR) shall notify a taxpayer by registered or certified mail at least 60 days before the DOR may report a taxpayer's unpaid tax assessment to a credit reporting agency.

**Effective Date:** Upon passage; July 1, 2015.

**Explanation of State Expenditures:** *Department of State Revenue (DOR):* The requirement to notify taxpayers by certified mail before an unpaid assessment is reported to a credit agency will increase the DOR's administrative costs by an indeterminable amount. Mailing an item by certified mail is about 8 times more expensive than first-class mail. In addition, the DOR may have to modify their collections system to accommodate tracking the additional correspondence.

**Explanation of State Revenues:** *Taxpayer Notifications:* Requiring the DOR to notify taxpayers 60 days before an unpaid assessment is reported to a credit agency could decrease revenue recovered during the collection process. The provision may increase the time between a notice of demand and issuing a tax warrant. This could affect all state taxes administered by the DOR. The actual revenue decrease is indeterminable but likely to be insignificant.

**Explanation of Local Expenditures:** *Marshall County CAGIT:* The bill allows Marshall County to continue

imposing an additional CAGIT rate after all bonds issued for a correctional facility capital project are retired. Currently, Marshall County is allowed to impose an additional CAGIT of up to 0.25% only to fund the capital expenditures related to the correctional facilities. Once the project is complete and all bonds are paid, Marshall County may no longer impose the additional rate.

[Marshall County issued bonds for \$15.3 M in 2006 to finance the construction and equipping of a correctional facility. In October 2014, Marshall County issued additional bonds for advance refunding of the prior issue. The maturity date on the last bond is February 1, 2027.]

**Explanation of Local Revenues:** *Marshall County CAGIT:* This bill authorizes Marshall County to retain the CAGIT of up to 0.25% for capital expenditures related to correctional facilities in order to pay operating expenses related to the correctional facilities.

The additional CAGIT of 0.25% is estimated to generate approximately \$2.30 M in CY 2016, \$2.37 M in CY 2017, and \$2.45M in CY 2018.

[The total local option income tax rate for Marshall County is 1.25% , and it will receive a CY 2015 certified distribution of \$11.25 M.]

*Taxpayer Notifications:* Requiring the DOR to notify taxpayers 60 days before an unpaid assessment is reported to a credit agency could decrease revenue recovered during the collection process. This could affect local taxes administered by the DOR and state revenue distributed to local units. The actual revenue decrease is indeterminable but likely to be insignificant.

**State Agencies Affected:** Department of State Revenue.

**Local Agencies Affected:** Marshall County; local units.

**Information Sources:** United States Postal Service, *Price List, Notice 123*, effective September 7, 2014, accessed on December 29, 2014, <http://pe.usps.com/text/dmm300/Notice123.htm#2589669>; LSA 1% local option income tax forecasts; State Budget Agency, CY 2015 Local Option Income Tax Certified Distributions Certified September 30, 2014, Amended November 7, 2014. A.G Edward & Sons, Inc, *Marshall County Holding Corporation - Final Official State Concerning \$15,285,000 Lease Rental Bonds of 2006*, May 25, 2006, retrieved on December 30, 2014; City Securities Corporation, *Marshall County Holding Corporation - Final Official State Concerning \$11,130,000 Lease Rental Refunding Bonds of 2014*, October 15, 2014, retrieved on December 30, 2014.

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